

Dennis C Prouty
Director
515/281-5279
dennis.prouty@legis.state.ia.us

**STATE OF IOWA
LEGISLATIVE FISCAL BUREAU**

State Capitol
Des Moines, Iowa
50319

MEMORANDUM

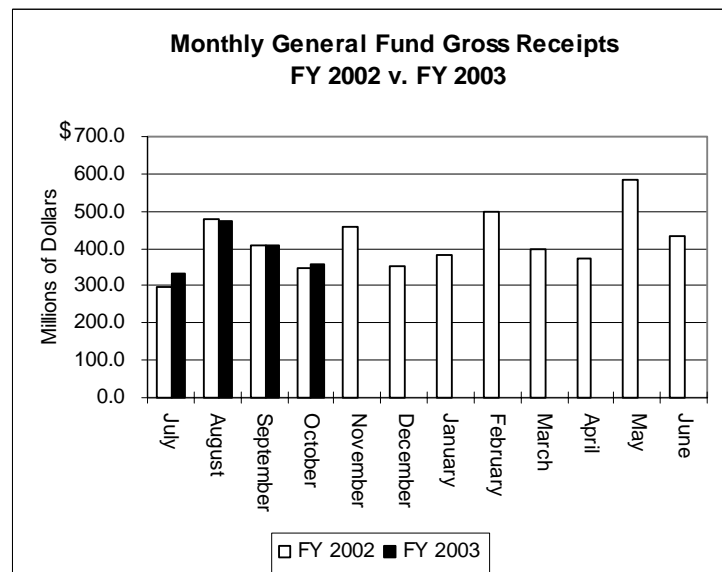
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: November 1, 2002

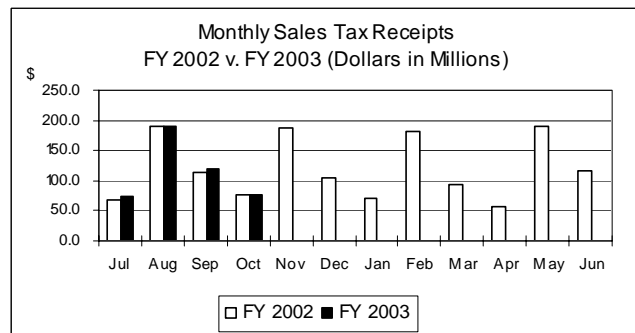
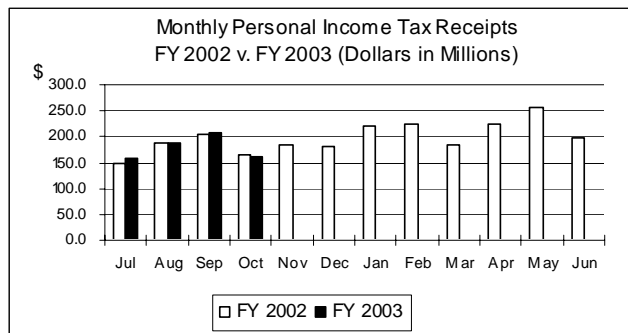
Monthly General Fund Receipts through October 31, 2002

The attached spreadsheet represents total FY 2003 estimated General Fund receipts, with comparable figures for actual FY 2002. These can be compared to the FY 2003 estimate (\$5.008 billion) set by the Revenue Estimating Conference (REC) on September 6, 2002. The estimate represents an increase of \$0.6 million (0.0%) compared to actual FY 2002 gross cash receipts (excluding transfers). The REC will review the FY 2003 estimates in late November or early December 2002.



FY 2003 Compared to FY 2002

Year-to-date FY 2003 total gross revenue (excluding transfers) increased \$36.4 million (2.4%) compared to FY 2002. This is above the REC estimate of 0.0% growth for FY 2003.



Gross personal income tax revenues received in October totaled \$161.9 million, a decrease of \$1.5 million (0.9%) compared to October 2001.

The REC FY 2003 income tax estimate of \$2.418 billion represents a projected increase of 1.9% compared to actual FY 2002. The actual year-to-date change in personal income tax is currently 2.1%.

The State tracks personal income tax in three sub-categories:

Withholding receipts in October increased 7.4% compared to October 2001 and have increased 5.5% for the fiscal year. Year-to-date withholding receipt growth is \$32.9 million.

Estimated tax payments in October decreased 34.1% compared to October 2001 and have decreased 17.3% for the fiscal year.

Tax payments with returns in October decreased 3.4% compared to October 2001. The majority of these revenues are collected when taxpayers file annual personal income tax returns and are received during the mid-March to April 30 filing period.

The Chart above compares monthly personal income tax receipts from all three categories for FY 2002 with FY 2003.

Sales tax revenues received in October totaled \$76.5 million, a decrease of \$0.7 million (0.9%) compared to October 2001.

The REC estimate for FY 2003 sales tax receipts is \$1.468 billion, which represents an increase of 1.0% compared to actual FY 2002. The actual year-to-date growth in sales tax is currently 1.8%.

The Chart above compares monthly sales tax receipts for FY 2002 with FY 2003.

Use tax revenues received in October totaled \$28.6 million, an increase of \$4.5 million (18.7%) compared to October 2001.

The REC estimate for FY 2003 use tax receipts is \$241.0 million, which represents an increase of 1.0% compared to actual FY 2002. The actual year-to-date growth in use tax is currently 10.7%.

Corporate income tax receipts in October were \$23.2 million, an increase of \$0.8 million (3.6%) compared to October 2001.

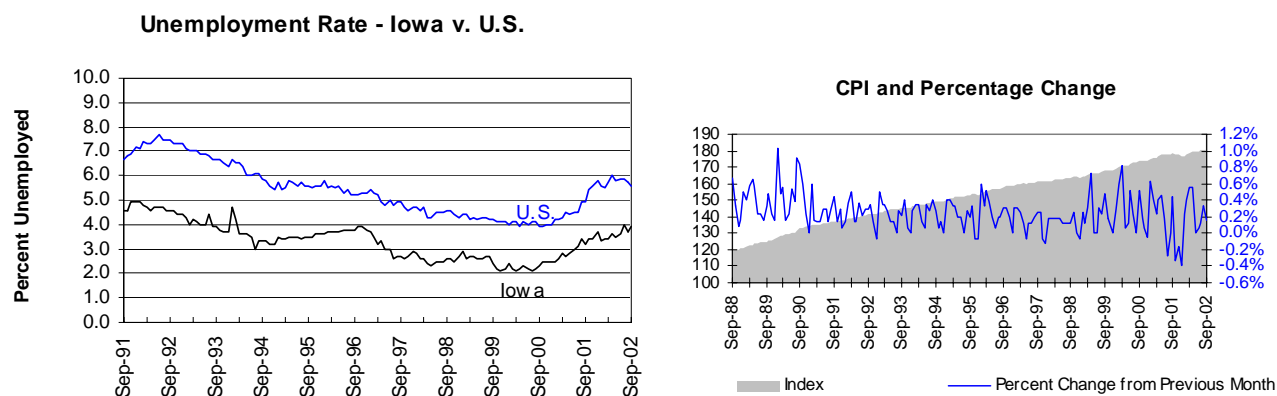
The REC projected FY 2003 corporate income tax receipts at \$221.7 million, an increase of 0.2% compared to actual FY 2002. The actual year-to-date growth in corporate income tax is currently 6.7%.

Status of the Economy

The September seasonally adjusted non-farm State unemployed rate increased to 3.9% from the August level of 3.7%. The unemployment rate a year ago was 3.5%. Iowa's total adjusted September employment registered at 1,567,200, up 24,400 from last year's level. The number of unemployed persons in Iowa was recorded at 63,100 in September, which is up 6,400 compared to last year's level. The number of unemployed workers in September increased 2,400 from last month's level. The U.S. unemployment rate in September was 5.6% down slightly from the August level of 5.7%. The U.S. unemployment rate a year ago was 5.0%.

Consumer prices increased in September from the August level by 0.2%. The Consumer Price Index (CPI-U) through September 2002 was 181.0 (1983=100), which is 1.5% higher than one year ago.

The following series illustrate U.S. and Iowa unemployment comparisons and the CPI through September 2002.



Information related to State General Fund receipts is available on the Legislative Fiscal Bureau's website at: <http://staffweb.legis.state.ia.us/lfb/>.

GENERAL FUND RECEIPTS - FY 2002 vs. FY 2003 July 1 through October 31, in millions of dollars Dollars may not add due to rounding					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 02 Actual Compared to FY 03 REC Estimate		
	FY 2002	FY 2003	Year to Date % CHANGE	October % CHANGE	Actual FY 2002	Estimate FY 2003	% CHANGE
Personal Income Tax	\$ 701.2	\$ 716.2	2.1%	-0.9%	\$ 2,372.0	\$ 2,417.7	1.9%
Sales Tax	451.1	459.0	1.8%	-0.9%	1,453.0	1,467.5	1.0%
Use Tax	81.0	89.7	10.7%	18.7%	238.5	241.0	1.0%
Corporate Income Tax	71.6	76.4	6.7%	3.6%	221.3	221.7	0.2%
Inheritance Tax	36.7	32.5	-11.4%	9.0%	100.4	85.1	-15.2%
Insurance Premium Tax	-0.2	0.7	-450.0%	n/m	135.4	138.2	2.1%
Cigarette Tax	31.2	30.5	-2.2%	-19.3%	88.0	87.2	-0.9%
Tobacco Tax	2.4	2.6	8.3%	40.0%	7.1	7.2	1.4%
Beer Tax	5.1	5.2	2.0%	0.0%	13.8	14.0	1.4%
Franchise Tax	9.9	9.9	0.0%	-22.2%	30.9	29.6	-4.2%
Miscellaneous Tax	1.1	5.7	418.2%	-1150.0%	1.5	1.3	-13.3%
Total Special Taxes	\$ 1,391.1	\$ 1,428.4	2.7%	2.1%	\$ 4,661.9	\$ 4,710.5	1.0%
Institutional Payments	16.2	7.3	-54.9%	-52.8%	48.6	18.2	-62.6%
Liquor Transfers - Profits	11.0	12.0	9.1%	14.3%	38.5	39.0	1.3%
Liquor Transfers - 7% Revenues	3.0	3.0	0.0%	0.0%	9.0	9.0	0.0%
Interest	2.4	8.8	266.7%	-18.2%	25.3	17.0	-32.8%
Fees	21.6	24.4	13.0%	-9.6%	70.2	65.4	-6.8%
Judicial Revenue	11.2	13.1	17.0%	39.0%	51.9	54.1	4.2%
Miscellaneous Receipts	15.5	15.1	-2.6%	-17.6%	42.1	34.9	-17.1%
Racing and Gaming Receipts	59.8	56.0	-6.4%	10.3%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 1,531.8	\$ 1,568.1	2.4%	1.9%	\$ 5,007.5	\$ 5,008.1	0.0%